

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 PA-01 NSC-05 SS-15
STR-07 CEA-01 H-01 L-03 AGRE-00 DOE-15 SOE-02
IO-13 /126 W

-----094850 042106Z /70

R 040349Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 6750

C O N F I D E N T I A L TOKYO 05558

FOR EA, HEGINBOTHAM AND SHINN

E.O. 11652: GDS
TAGS: ETRD, EGEN, JA, US
SUBJECT: REVISIONS OF EXTERNAL SECTOR - JAPAN'S MACRO-
ECONOMIC MODEL SP-18

1. ON 31 MARCH EMBOFF CALLED ON EPA'S MACROECONOMIC
MODEL (SP-18) EXPERT, SEIJI SHIMPO TO COMPARE NOTES ON
EFFECT OF RECENT YEN APPRECIATION ON CURRENT ACCOUNT AND
GROWTH. SHIMPO SAID HE RECEIVED A COPY OF AN ANALYSIS
FROM DEPARTMENT THE DAY BEFORE (IDENTICAL WITH UNCLASS
ARTICLE IN CIA ECONOMIC INTELLIGENCE WEEKLY 16 MARCH
1978 REPORT) WHICH, HE SAID, WAS DEVELOPED FROM AN EARLIER
VERSION OF THE SP-18 SHOWING THAT YEN APPRECIATION DOES
NOT NECESSARILY MOVE JAPAN'S CURRENT ACCOUNT TO BALANCE
BY 1979. SHIMPO SAID THAT THE ANALYSIS IS MUCH MORE
PESSIMISTIC THAN CURRENT EPA PROJECTIONS BASED ON RE-
VISIONS NOW BEING INCORPORATED INTO THE MODEL. SHIMPO
DEPARTED TOKYO ON 1 APRIL FOR A WEEK OF DISCUSSIONS ON THE
REVISIONS WITH THE FEDERAL RESERVE, IMF AND AT WHARTON,
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AND TO PREPARE FOR A MID-APRIL PRESENTATION IN TOKYO
DURING THE CEA VISIT.

2. SHIMPO LISTED HIGHER EXPORT ELASTICITIES; SEPARATION
OF THE IMPORT FUNCTION INTO 2 NEW FUNCTIONS - ONE DEALING
EXCLUSIVELY WITH RAW MATERIALS AND FOOD PRODUCTS, AND THE
OTHER WITH MANUFACTURERS; A REVISED CALCULATION OF THE

LAG IN THE PASS THROUGH OF EXPORT PRICE INCREASES IN DOLLAR TERMS AND A HIGHER PRICE ELASTICITIES FOR MANUFACTURED IMPORTS AS MAJOR REVISIONS. ACCORDING TO SHIMPO, THE NET EFFECT OF THE CHANGES RESULTS IN A REVERSAL OF THE CURRENT ACCOUNT BEGINNING IN THE THIRD OR FOURTH QUARTER AFTER THE REVALUATION, DEPENDING ON THE MAGNITUDE OF THE REVALUATION.

3. FOREGOING IS BY WAY OF ALERTING DEPARTMENT TO SHIMPO VISIT AND NEW WORK ON THE SP-18. EMBOFF SCHEDULED FOR TALKS WITH PROF. MORIGUCHI IN KYOTO ON 5 APRIL FOR UPDATE ON KYOTO UNIVERSITY MODEL. MANSFIELD

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Message Attributes

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Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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ISecure: 1
Legacy Key: link1978/newtext/t19780493/aaaadavw.tel
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Litigation History:
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Office: ACTION EA
Original Classification: CONFIDENTIAL
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Review Action: RELEASED, APPROVED
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Review Exemptions: n/a
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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